

*GCF insight #15*

# How is COVID-19 impacting Green Climate Fund projects?

June 2020

Insights from project developers & other stakeholders

*An independent E Co. study*



# GCF insight #15

GCF insight seeks to understand what's working - and what's not working - in Green Climate Fund (GCF) project development. These surveys and reports spotlight the most topical GCF issues. This fifteenth edition explores the impact of the COVID-19 pandemic on GCF project development and execution, as perceived by GCF stakeholders.

## Spotlight on COVID-19

The spread of COVID-19 (SARS-CoV-2 coronavirus) across Asia in January and February 2020 led to the decision to relocate the GCF Board Meeting (B.25) to Geneva, Switzerland. As it turned out, by the date of the Board Meeting, the disease was already spreading rapidly across Europe and would soon reach every corner of the globe.

With efforts still underway to identify a viable treatment or vaccine for the coronavirus, most response efforts have focused on prevention. To slow the spread of the virus governments around the world have closed borders, restricted travel and imposed curfews that affect billions of people.

The GCF project development process was designed for the world before COVID-19. Among other requirements, GCF requires evidence of meaningful stakeholder engagement in the project planning process, often via face-to-face meetings and workshops. Country governments, banks and the private sector are encouraged to provide significant co-financing to achieve project objectives. What is more, GCF concept notes and funding proposals are often prepared by teams from different organisations and sometimes from different countries, who may no longer be able to travel easily to project sites. Finally, the COVID-19 crisis may expose new and unanticipated challenges for project beneficiaries, depending on country context.

This report explores how GCF stakeholders believe COVID-19 has affected their projects to date and explores expectations for project development and execution over the longer term.

### In brief, here's what we found:

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1. Respondents were generally pessimistic about the short-term impact of the COVID-19 pandemic on GCF projects. 62% said they were already seeing significant delays in project preparation and implementation and expected this to continue in coming months.
2. Just 1/3 of respondents expected COVID-19 to make it a lot harder to secure public and private sector co-financing for GCF projects.
3. Respondents expected an increase in climate vulnerability over the next year, but somewhat less impact on efforts to reduce GHG emissions.



‘Finally, the COVID-19 crisis may expose new and unanticipated challenges for project beneficiaries, depending on country context.’

## Survey overview

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We surveyed 121 respondents:

- 11% National Designated Authorities (NDAs); 22% Accredited Entities and entities wishing to become accredited; 37% were consultants; and the remainder (27%) were civil society organisations and other actors

- 43% of respondents offered views for projects in Least-Developed Countries, 40% for Middle-Income countries, and 17% for Small Island Developing States



# 1 Impact on GCF projects

*We asked stakeholders about how their project preparation and timelines were being impacted by the pandemic; what current short-term delays and obstacles were they seeing and what did they anticipate in the long-term?*

Several respondents noted that it will take more time before the impacts of COVID-19 are understood fully. Nevertheless, 88% of survey respondents have already reported delays to their GCF-related work timelines, with 62% reporting significant delays of 1 month or more.

The perception of impacts varied between Least Developed countries (LDCs) and Middle Income countries, with LDCs seeing a smaller impact in the short term but predicting a bigger one in the future. Middle Income countries saw a bigger impact in the short term, but are more optimistic than LDCs for the longer term. Only 2% of Middle Income country respondents reported “no effect” versus 21% of respondents working in Least Developed Countries.

Conversely, 73% of respondents working in Middle Income countries have already experienced “significant delays” versus 48% in LDCs. Looking to the future, 42% of respondents working in LDCs were expecting severe delays of 4 months or more, compared to 25% of respondents working in Middle-Income countries and Small Island Developing states.

One possible reason for these differing responses could be the way COVID-19 spread. Countries with well-developed transport links were the first to experience high transmission rates and enact lockdown measures, so LDCs may not have experienced as many delays by the time the survey was conducted.

While several respondents noted that desk-related tasks could continue with minimal interruption, others pinpointed practical challenges related to performing work. According to one respondent, “COVID-19 has hampered a lot in preparing project concept and proposal preparation as stakeholder consultation, feasibility study which needs field work and consultation, with the people impacted, is difficult now and will be difficult to be mobilized in coming months. It is still uncertain that the movement will be eased soon.”

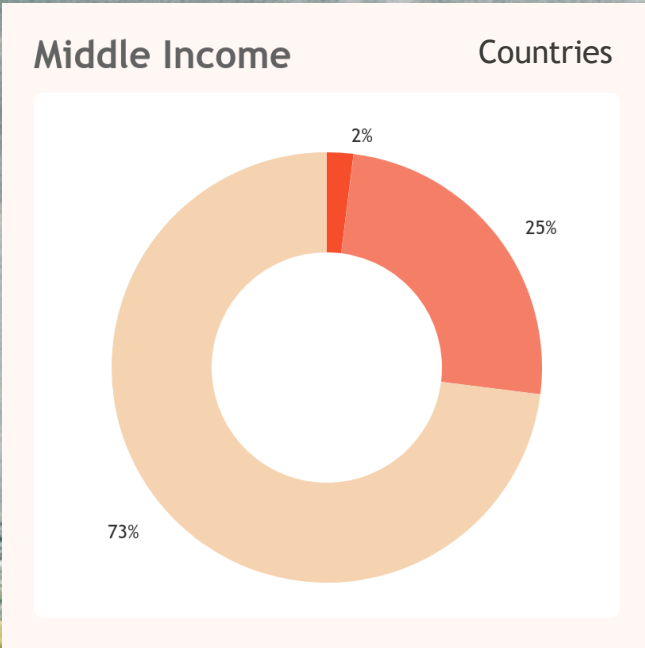
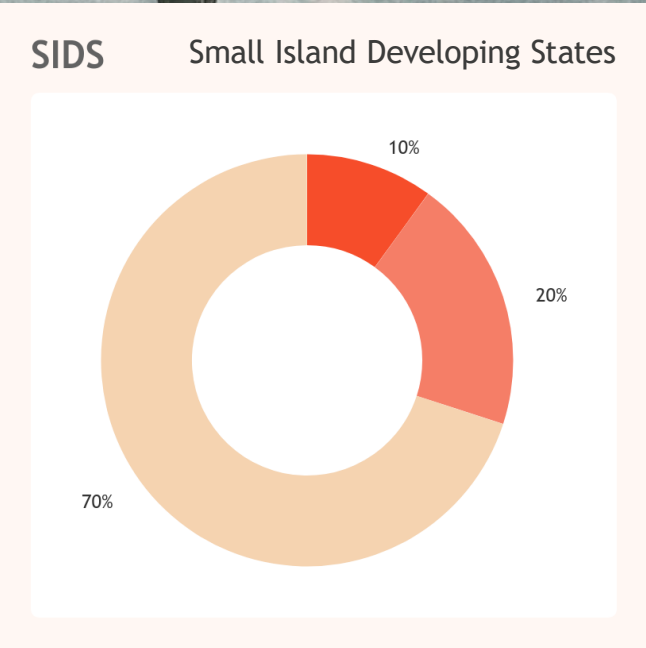




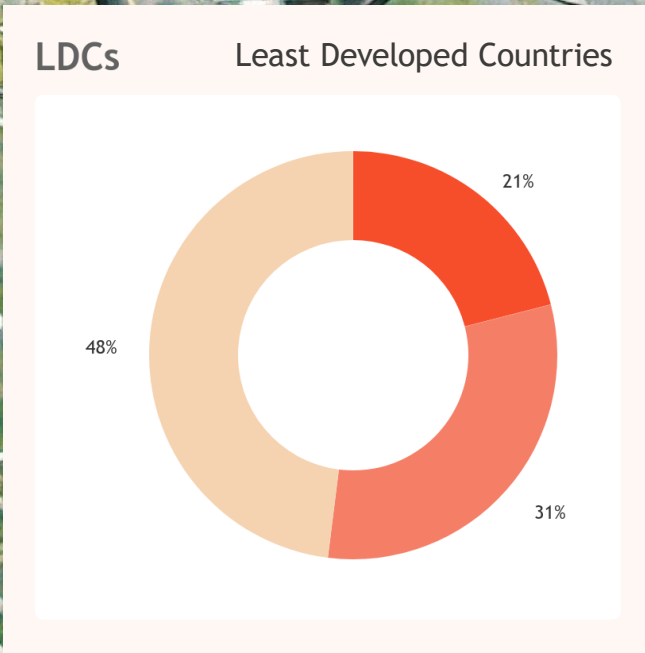
**Survey results:** Since the emergence of the pandemic and lockdown measures, what impact have you already seen on your GCF-related work timelines?

Key

- No effect
- Moderate delays (2-3 weeks)
- Significant delays (1 more or more)



‘88% of survey respondents have already reported delays to their GCF-related work timelines, with 62% reporting significant delays’





## 2

## Impact on co-financing

*We asked stakeholders what they were seeing with regards to co-financing commitments and what they anticipated when looking ahead.*

Another potential source of delay in submitting project documents relates to co-financing. Anecdotal reports indicate some governments and donors are delaying funding commitments in response to COVID-19. Governments around the world are borrowing on a massive scale as they extend economic and social safety nets to millions of people or launch economic stimulus packages. Donors and assistance agencies likewise are reprogramming existing funding to provide emergency support to stakeholders.

At the same time, private sector investors may be reconsidering their commitments as economic conditions deteriorate worldwide. As one Accredited Entity respondent noted, “For [the] coming few years, the priority of Government, private sectors and even people will be shifted to secure basic needs in LDCs.” A consultant who responded to the survey shared this view, stating, “I believe it will be much harder now to get approval as priorities of the Governments have changed.”

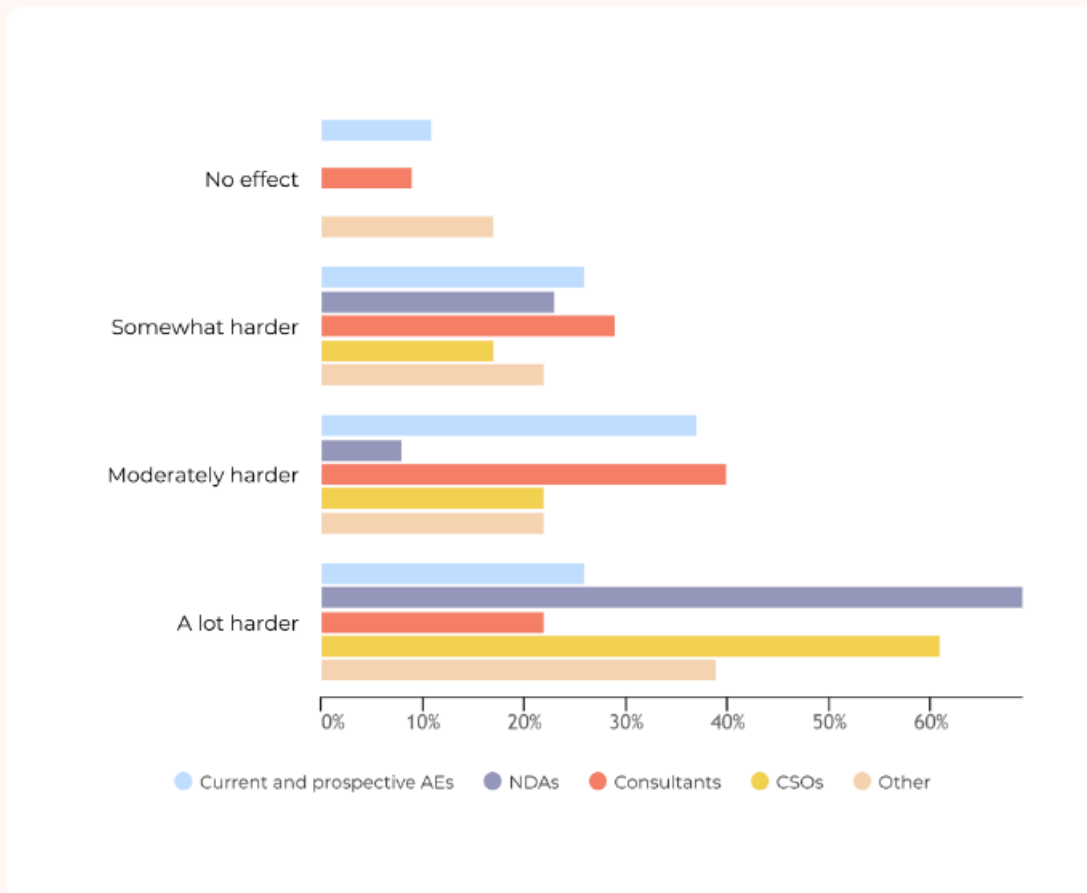
Among survey respondents, only 8% felt that COVID-19 would have “no effect” on government or private sector co-financing commitments. Conversely, 35% felt that the pandemic would make it “a lot harder” to secure these commitments.



“I believe it will be much harder now to get approval as priorities of the Governments have changed.”

### How much harder will COVID-19 make it to secure government co-financing commitments?

According to stakeholder perceptions\*





## Insights from a DAE in South Asia

We spoke with a Direct Access Entity (DAE) working in South Asia who is preparing a GCF Funding Proposal aimed at enhancing access for clean cooking fuels and technologies to marginalised and vulnerable communities. The project under preparation, which involves a grant mechanism with public co-financing, is encountering several challenges ranging from conducting consultations and field work, to securing co-financing commitments.

**1. Tell us about the challenges you are presently facing in securing co-financing.**

Currently there is no impact on our [overall] project budget, but the government has confirmed they will be reducing the budget for all activities and redirecting the funds to support basic domestic needs to cope with COVID-19. The government has already increased the budget for the health sector infrastructure. For clean cooking solutions, I think this is somehow related to the health sector itself, so there hasn't been a reduction. However, the approval process takes time and is a very lengthy process - the government has to approve the budget yearly, so there is still a lot of uncertainty.

**2. What challenges are you facing in holding stakeholder consultations and fieldwork because of the restriction of movement?** A lot of uncertainty. Usually the GCF requires attendance sheets and other supporting documents. We've already finished three virtual consultations with three different sectors: the private sector, the banking sector, and the government - at a local and central level. But we are still not sure if that will be accepted by the GCF. So our request for the GCF is, based on the situation, to provide some alternatives and accept these types of virtual consultations.

**3. What challenges are you facing in holding consultations with potential community beneficiaries and obtaining baseline information?** In our country, the beneficiaries do not have internet access to attend these virtual consultations. In their areas, COVID-19 is rising, so how do we deal with this? We were targeting this project for B.27, but that might be delayed to December or January now. It would still be difficult for us to complete all of these things before then. So the real situation for people in the field will not be known, unless we actually go there and hear from them.

**4. What do you feel you need to cope with this crisis?** Financial parties are crucial and some kind of ease [on GCF requirements]. We've been working in this sector a long time and based on our past experiences, the GCF should accept the supporting documents we have already generated. After COVID-19 [restrictions lift], we can go back into the field and validate that data with information from beneficiaries. We are still not sure whether that will happen or not. We would like the GCF to suggest steps to take, particularly in LDCs where the last part of co-financing has to be managed by the government.

## Comments from stakeholders. . .

*“Downstream partners in our first project and the impacts of the COVID-19 pandemic will have to be fully determined to better understand impact on projects we are running with them.*

*Any private sector lending will require a re-focus of these businesses medium to long term strategies which will in turn impact ability to sell finance to them.*

*Foreign exchange impacts relative to USD-FJD rates could have a negative impact on projects and will have to be monitored closely.”*  
- Accredited Entity

*“Projects implemented in countries with a poor network connection and limited access to computers or mobile devices are struggling to adapt to the current Covid-19 situation.”*  
- Nationally Designated Authority

*“The Covid-19 pandemic and other emerging infectious diseases should be included in the risks and corresponding mitigation steps as a standard part of project/programme application and approval processes in the GCF funding.”*  
- Consultant advising NDAs/AEs



# 3

## Impact on climate resilience & GHG reductions

*Stakeholders were asked how they felt the pandemic would affect the achievement of GCF's mission to limit or reduce greenhouse gas (GHG) emissions and help vulnerable societies adapt to climate change impacts.*

In the near term, 34% of respondents felt that COVID-19 would increase climate vulnerability and reduce resilience “a lot” over the next year, versus 21% who expected a “moderate” increase in vulnerability and reduced resilience. Only 9% of respondents anticipated “no effect” from the pandemic. Looking to the longer term (2+ years), respondents’ views were slightly less pessimistic with 29% expecting COVID-19 to reduce resilience and increase vulnerability “a lot”, and the proportion expecting a moderate increase in vulnerability rising to 27%.

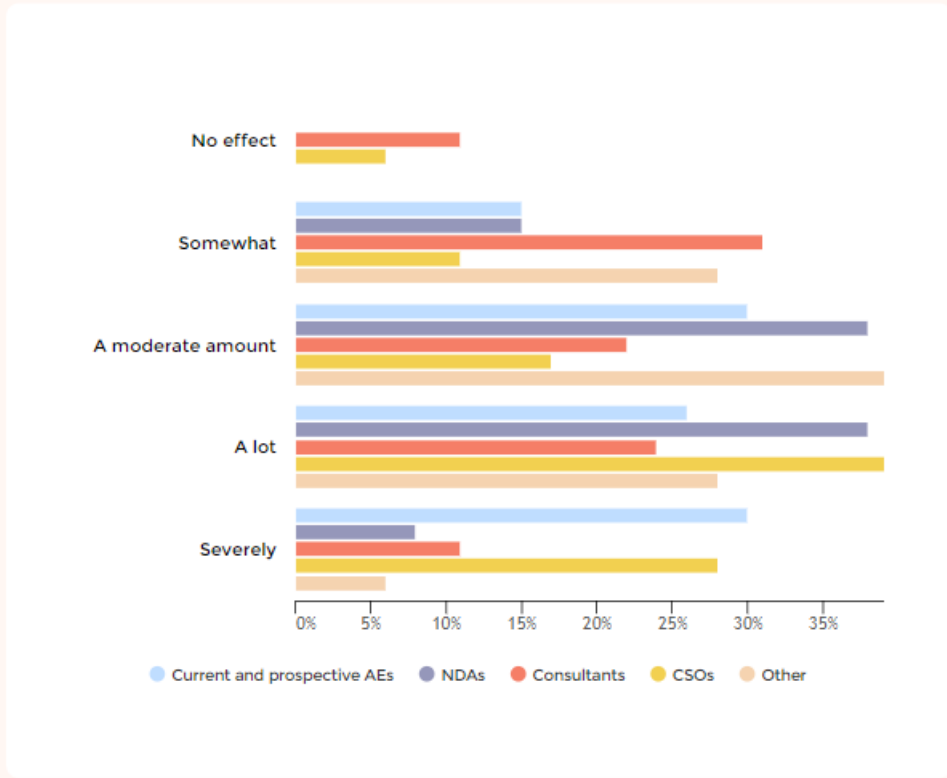
Many GCF adaptation projects address the impacts of climate change on livelihoods, food and water security. The economic effects of the COVID-19 pandemic and response may stress existing social safety nets and reduce community resilience. Many standard resilience measures, such as cooling centres that provide shelter against heatwaves, are poorly suited for the social distancing requirements imposed by the pandemic. As one respondent noted, “If there is a hurricane this year, then we are really in a difficult situation.”

“If there is a hurricane this year, then we are really in a difficult situation.”



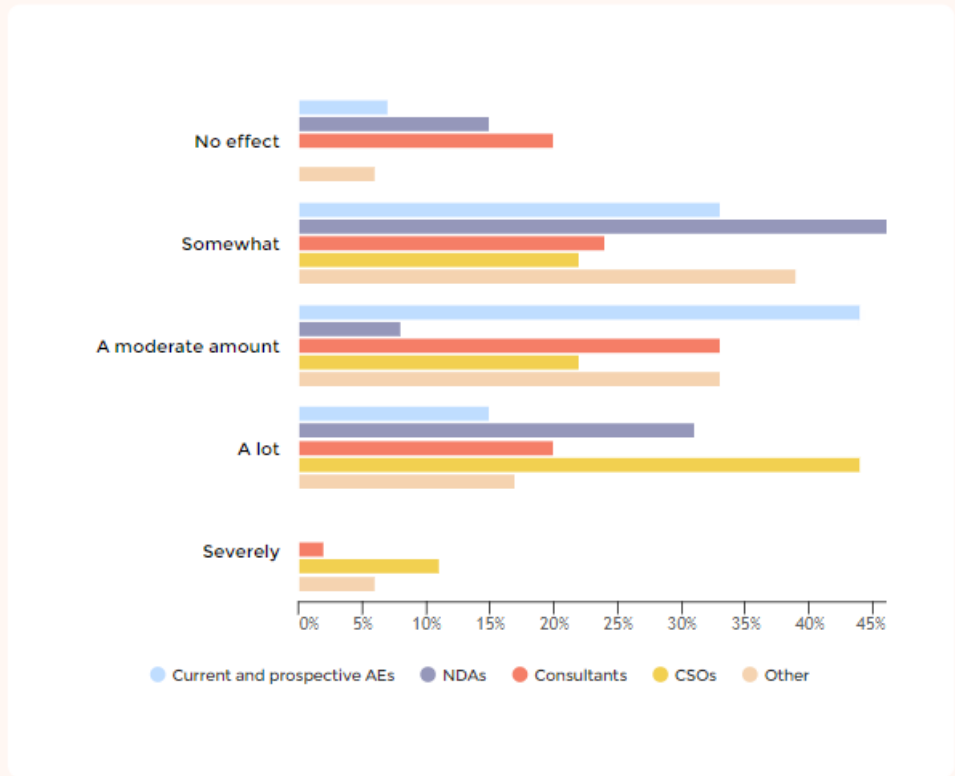
### How much will the pandemic increase climate vulnerability and reduce resilience over the longer term (2+ years)?

According to stakeholder perceptions, for the country where they work most\*



### How much will the pandemic reduce commitment to GHG emission reductions over the next year?

According to stakeholder perceptions, for the country where they work most\*



‘In the longer term, it is unclear whether measures to stimulate developing country economies will prioritise “green” measures over more polluting approaches.’

In countries that have imposed lockdown measures, COVID-19 has led to a reduction in GHG emissions from transportation and industrial energy use. These emission sources tend to comprise a smaller share of the total in many developing countries, leading perhaps to smaller reductions in the short term. In the longer term, it is unclear whether measures to stimulate developing country economies will prioritise “green” measures over more polluting approaches.

62% of respondents expected COVID-19 to reduce commitments to GHG mitigation “somewhat” (31%) or by “a moderate amount” (31%) over the next year. These expectations changed only slightly over the longer term, with 27% expecting “somewhat” reduced commitments and 34% expecting commitments

Civil society organisations (CSOs) were notably less optimistic than other respondents about commitments to reduce GHG emissions, both in the next year and over the longer term. While 41% of CSO respondents felt COVID-19 would reduce commitments “a lot” in the next year, fewer than 15% of other respondents shared this view. Over the longer term (2+ years), 61% of CSOs felt COVID-19 would reduce commitments “a lot”, while the proportion of other respondents sharing this view did not exceed 15%.



# What are the GCF's next steps?

The COVID-19 crisis has unfolded with startling speed. Six months after the first outbreak, most governments, businesses, communities, and assistance agencies are still scrambling to respond to the challenges posed by the virus and lockdown measures.

It may be months or years before the impact of the coronavirus pandemic is fully understood. Nevertheless, the results of this survey indicate that COVID-19 is already delaying GCF project timeframes. These delays may have ripple effects on the GCF's project pipeline for years to come, as projects miss fixed submission deadlines in the near term and cause congestion in the review process later.

COVID-19 may also lead to a shift in country priorities, as indicated by responses to survey questions about co-financing. Countries where COVID-19 threatens social safety nets may put greater emphasis on initiatives that enhance resilience, or simply find that they have fewer resources to commit as co-financing for climate change-related projects.


For its part, the GCF notes that climate resilient development is aimed at helping countries and communities withstand unexpected shocks. In the short term, the GCF has announced initial measures to respond to the impacts of COVID-19. The Fund announced in April that it has enhanced its ICT capabilities to better enable its staff to work from home to minimise risk of infection and comply with travel restrictions. The GCF has also announced some flexibility for project partners, with a 6-month no-cost extension to certain grants under the Readiness and Preparatory Support Programme and Project Preparation Facility, and a reasonable reallocation of travel budgets.

'COVID-19 is already delaying GCF project timeframes.

These delays may have ripple effects on the GCF's

project pipeline for years to come'





‘The GCF should also be encouraged to seize the opportunity to help countries “Build Back Better” in alignment with the Sendai Framework for Disaster Risk Reduction.’

GCF senior management has invited project partners to work with the Secretariat to prepare COVID-related impact assessments and identify potential solutions for consideration. However, it is unclear whether this approach will result in a structured programme of support or a series of ad hoc measures that are approved on a case-by-case basis.

These are welcome initiatives, but the GCF response should also address other issues, such as the impact of COVID-19 on entities’ ability to make long-term co-financing commitments. In addition, the project preparation process itself could be made more resilient, for example by budgeting to strengthen ICT infrastructure and business continuity planning at NDAs, Direct Access Entities and other key stakeholders in developing countries. The GCF should also be encouraged to seize the opportunity to help countries “Build Back Better” in alignment with the Sendai Framework for Disaster Risk Reduction. Among other objectives, the Sendai Framework aims to increase the number of countries with national and local disaster risk reduction strategies, increase the availability of and access to multi-hazard early warning systems, reduce global disaster mortality, and reduce disaster damage to critical infrastructure.

It may be impossible to predict the next major shock, but the Fund can enhance resilience by prioritising the alignment between work to enhance climate resilience and broader strategies to protect development gains from the risk of disaster.

*Lead author: E Co. Principal consultant, Jamal Gore*

## **We’d like to hear more from you**

What specific challenges have you been facing with your projects?

Email us at: [gcfinsight@coltdgroup.com](mailto:gcfinsight@coltdgroup.com)





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We aim to support individuals and organisations in deepening their knowledge of climate funds and provide practical tools to precisely address what the funds are looking for.

Our trainings are targeted towards mid-level professionals from NGOs, UN agencies, bilateral organisations, development banks, and local or country government officials, but should your background not meet the above, please feel free to contact us as well.

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We specialise in designing low-carbon, climate-resilient projects and programmes. For over 20 years, we've been providing technical expertise to help our clients solve climate adaptation and mitigation challenges and access project funding. We assess markets, develop strategies and formulate projects to provide long-lasting solutions for vulnerable populations worldwide.

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This report was independently developed by E Co. consultants

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### About *GCF insight*

This survey and report is an initiative of E Co., emerging from work we are doing to develop low-carbon, climate resilient projects. E Co.'s team of consultants designed and administered the survey and prepared this report. E Co. has conducted this research independently and is not affiliated with the GCF, the GCF Secretariat or donors. The views expressed in this report are those of the authors and do not represent those of the GCF. Nothing in the interviews or any information or material relating thereto shall be construed as implying any official endorsement of or responsibility on the part of the Green Climate Fund.

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